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AUTHOR	Flores, Patrick F.; And Others
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ABSTRACT

This document contains recommendations for changes in the Texas system of educational finance to improve educational opportunity for Mexican Americans and blacks. The report examines alternative methods of finance, focusing on methods for improving the existing property tax system. The authors recommend that the State (1) supervise and control assessment of property; (2) assume the revenue-raising function for public elementary and secondary education; (3) enact personal income and corporate profits taxes; (4) raise its level of per pupil expenditure; and (5) grant aid on the basis of a child's need. A related document is EA 004 601. (JF)

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SCHOOL FINANCE REFORM IN TEXAS

A Report to the U.S. Commission on Civil Rights
prepared by the Texas State Committee
(an official Advisory Committee to the Commission)

September 1972

EA 004 602

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INTRODUCTION

The United States Commission on Civil Rights

The United States Commission on Civil Rights is an independent Agency of the executive branch of the Federal Government created by the Civil Rights Act of 1957. By the terms of that act, as amended by the Civil Rights Act of 1960 and 1964, the Commission is charged with the following duties: investigation of individual discriminatory denials of the right to vote; study of legal developments with respect to denials of the equal protection of the law; appraisal of the laws and policies of the United States with respect to denials of equal protection of the law; maintenance of a national clearinghouse for information respecting denials of the equal protection of the law; and investigation of patterns or practices of fraud or discrimination in the conduct of Federal elections. The Commission is also required to submit reports to the President and the Congress at such times as the Commission, the Congress, or the President shall deem desirable.

The State Committees

A State Committee of the United States Commission on Civil Rights has been established in each of the 50 States and the District of Columbia pursuant to section 105 (c) of the Civil Rights Act of 1957 as amended. The Committees are made up of knowledgeable persons who

serve without compensation. Their functions under their mandate from the Commission are to: advise the Commission of all relevant information concerning their respective States on matters within the jurisdiction of the Commission; advise the Commission upon matters of mutual concern in the preparation of reports of the Commission to the President and the Congress; receive reports, suggestions, and recommendations from individuals, public and private organizations, and public officials upon matters pertinent to inquiries conducted by the State Committee; initiate and forward advice and recommendations to the Commission in matters in which the Commission shall request the assistance of the State Committee; and attend, as observers, any open hearing or conference which the Commission may hold within the State.

The United States Commission on Civil Rights has prepared a report, entitled Mexican American Education in Texas: A Function of Wealth, which documents that the existing school finance system in Texas works to the disadvantage of Mexican Americans. Chicano citizens must carry a heavier tax burden to meet the costs of educating their children and receive less financial and educational returns for their greater effort. The Texas State Committee feels these are matters of grave concern to the people of Texas. School finance reform is urgently needed to achieve equal educational opportunity for minority students, for the resources and programs a school district can provide to educate its students is strongly bound by the

revenue it has available to meet its responsibilities. The State Committee has studied a number of proposals for school finance reform advanced by economists, educators, and community and political leaders. In making the recommendations contained in the Committee's report, consideration was given to the potential impact of various alternatives on the education of minority students and to the applicability of the many school finance reform proposals to this State's own situation. The Committee offers these recommendations in the hope they will stimulate action on the part of citizens of this State to meet the challenge that faces them.

SCHOOL FINANCE REFORM IN TEXAS

Four years ago the Governor's Committee on Public School Education urged the people of Texas to accept the challenge and to reach for the chance of making this State "a national leader in public education". Perhaps the single most important criterion to measure progress toward national leadership in education is the academic achievement of students. By this measure, Texas is failing to meet the challenge. About one-half of all Mexican Americans and one-third of all black students in the State drop out of school before completing the twelfth grade, compared with 15 percent of Anglos. Of those who remain to receive a high school diploma, fewer Chicanos and blacks than Anglos receive what could be considered a complete education. Nearly 45 percent of the Mexican Americans, and over 50 percent of the blacks in the twelfth grade are reading at least 2 years or more below grade level. Only 15 percent of the Anglos are suffering severe reading retardation.

The educational achievement of all children is the test of how well Texas schools are doing in affording an equal educational opportunity. Although educators can be criticized for failing to pass this test, it must be recognized that the ability of schools to educate children adequately is limited by the resources they can bring together to accomplish this. Although there may be schools with high costs and poor quality, it is difficult to achieve high quality at a low cost.

According to National Education Association 1971-72 figures, Texas ranks 41st among the States in per pupil expenditures for public elementary and secondary school students. Texas has also lagged far behind in increasing expenditures in the last decade. While educational expenses throughout the Nation have climbed about 122 percent, they have risen only 96 percent in Texas. In order to bring the Texas per pupil expenditure up to the national average, an additional $224 must be raised. Further, if Texas schools are to be among the top five throughout the country, expenditures must be raised by at least $443.

Expenditures have fallen behind the national average because of the reluctance of the State to exert a greater tax effort. State and local revenue receipts for public education comprise about 4 percent of income in Texas but 4.7 percent in the Nation as a whole. Texas ranks 43rd in comparison to other States.

The 1968 report of the Governor's Committee noted that there is substantial leeway to raise additional educational revenues without increasing the tax burden above that imposed by most other States. Considerable revenue could be obtained from personal income and corporate profits taxes, neither of which is presently levied. Texas is one of six States that have yet to enact a personal income tax and one of seven that have no corporate profits tax. This is a somewhat ignominious distinction in view of the low level of educational expenditure.

Even with the passage of personal income or corporate profits taxes, it will probably be necessary to continue relying on property taxes for educational revenues. As the Civil Rights Commission's report points out, the property tax is one of the major sources of inequity in Texas' present school finance system. This is partially due to poor assessment practices. Much can be done to improve this, such as increased State supervision of property assessments, State-supported training for tax assessors, and a concerted effort to equalize property assessments. There are 254 counties in the State of Texas, each of which must have a tax assessor. These tax assessors do not have the benefit of statewide guidelines on property assessments and record keeping procedures. Furthermore, there is no system for checking the overall operation of the tax assessor's office or the method for determining the assessed value of property. Finally, there is no way of assuring that the county assessors are adequately trained and qualified to perform their duties. Reforms in the assessment system are essential in the overall restructuring of Texas school finance.

In many parts of the United States, local property tax bases have also been seriously eroded by exemptions granted religious, fraternal, and charitable organizations. Texas should not fall prey to this problem. Careful scrutiny is needed to assure that the purposes for which these organizations utilize exempted property continue to relate to activities that originally justified their exemptions.

One of the more controversial tax reform proposals calls for a shift from property taxation on land and improvements to site value taxation, or tax on land alone. Site value taxation would provide a strong incentive to owners of undeveloped or underutilized land to make such land available for more productive use. Local governments must remember, however, that although improved land utilization is needed, great care must be taken to control the pace and character of development or serious environmental problems will arise.

Site valuation would also pose administrative difficulties in separating the value of land from the value of improvements. The value of urban land is derived from the intensity and character of the demand for structures. In rural areas, the value of improvements to land, such as grading and fertilization, would have to be distinguished from the bare site value. In the final analysis, site valuation can be ruled out only if its administrative difficulties outweigh those of the existing property tax. Several areas in the United States are moving to site valuation. Their experiences demonstrate that this tax is a conceivable alternative deserving consideration by Texas.

Better administration of the present property tax or a change to site valuation will not entirely solve all the problems. Property values differ substantially from district to district, and those school districts with low property values generally cannot match per pupil expenditures found in districts with higher property values unless they levy substantially higher

taxes. Further, large urban districts must satisfy themselves with proportionately less of total property tax revenues than those in suburban or rural areas. Because of population density and the concentration of low-income persons, other government services such as welfare, sanitation, and police and fire protection often place a heavier demand on property tax revenues in cities. These inequities can be partially, if not completely, overcome if the State either (1) guarantees equal property tax revenues for equal tax rates, or (2) assumes the responsibility of levying property taxes.

The first of these alternatives would probably prove to be only a partial solution. Local governments rely on property tax revenues to meet the costs of services other than education and consequently compete with other taxing jurisdictions for high-value property. To the extent that city hall wants to keep tax rates low to attract high-value property, there will be pressure to keep property taxes for education low as well.

The second alternative--State responsibility for levying property taxes--has been interpreted by critics as meaning loss of local control. Full State responsibility does not mean the abandonment of districts as active institutions or the loss of their decisionmaking power. On the contrary, under such a system, major emphasis can be shifted from the task of raising money to the real business of education, identifying and implementing those programs needed to adequately educate children. Additionally, the fear of loss of local control proves unfounded when closely

analyzed. Equal "control" does not exist for poor Chicano districts which, in comparison to high property value Anglo districts, do not have equal ability to raise sufficient revenue for an equal tax effort. Nor does it exist in school districts where Chicano residents are underrepresented on the school board.

Whether the power to levy property taxes remains with school districts or is assumed by the State, the State will have to continue providing financial assistance to local districts. Any effective and equitable system of State aid must be founded squarely upon the educational needs of children, which is not true of the present system. While the State provides aid for special education teachers as well as regular classroom teachers, receipt of aid is contingent upon whether the district can fill the positions. Also, the amount of State salary aid a district receives is based on the education and experience of the teachers. As the Commission's report documents, some predominantly Mexican American districts cannot fill all their positions because teachers refuse to work in them. The poorer Mexican American districts cannot supplement State-supported salaries to the extent that wealthier Anglo districts can and, therefore, lose both the teachers with more education and experience and the increased State aid. In the end, the property wealth and ethnic composition of a district - not a child's educational needs - are the ultimate determinants of how much aid a district receives. Such a state of affairs, if not unconstitutional, is irresponsible and educationally unsound.

Educational need is an often used phrase that is difficult to define. Nevertheless, several economists and educators have proposed criteria to define educational need for dispensing State aid. These include achievement test scores, weighted pupil measures or adjusted instructional units, Aid to Families with Dependent Children (AFDC) recipients, and family income.

State aid formulas based on achievement test scores would provide more aid for children who test below average. Such a system would require uniformity of test instruments and of the date on which they are administered. Periodic testing would also be necessary as the district's enrollment changes. Use of achievement test scores has at least two faults. School districts will neither wish to appear they are not educating their students well nor will they want to lose State aid. In the end, districts may feel constrained from offering those programs best suited to a child's needs. Further, test scores do not take into account the extra cost of educating students who are succeeding academically but who are physically handicapped.

The weighted pupil and adjusted instructional unit measures recognize that it costs different amounts to educate children in special and regular programs and in elementary and secondary grades. These criteria require that the programs to be financed be clearly defined. Districts would be discouraged from implementing special or innovative programs not covered by State aid. Additionally, these measures would be an incentive for districts to place minority students in those programs for which they would receive more aid but which would not necessarily be best suited to the child's needs.

Extra State aid for welfare recipients would help those at the very lowest income levels but represents only a rough estimate of the educational needs of the majority of students. If income was the criterion, the family income of each individual child would be a better measure. However, there are also problems inherent in the use of family income. These include: (1) the difficulty in defining how much should be spent on children from varying family income levels, and (2) the fact that achievement levels of individual students vary within any given income level. Though there are problems with the use of each of these measures of educational need, some are less desirable because of possible ill effects on students and some measures, with attention to shortcomings, may prove more workable.

Student educational needs are not the only basis upon which school funds can or should be equitably distributed. Two districts can have students of similar needs, but with different cost requirements. For example, districts in rural areas generally have higher transportation costs than those in suburban or urban areas. School districts with rapid increases in enrollment and districts which, because of their low property values, were unable to keep up with their construction needs require more funds to build and equip new schools. The cost of living, which affects the price of goods and services to schools, varies from place to place. Finally, predominantly minority school districts, which have difficulty in attracting teachers, may have to offer higher-than-average salaries.

In its 1970 report, this Committee stated that "new goals and bold imaginative new directions need to be taken by the educational system of Texas." This statement particularly applies to school finance. In order to distribute equitably both school funds and the burden of taxation, extensive changes will have to be made in defining the State's educational tasks and their financing.

Reform of the school finance system in Texas can assure that additional revenue is allocated to poor districts. However, it cannot guarantee an automatic restructuring of all facets of education. Checks must continually be made to assure that districts allocate all education funds wisely and fairly among all children. Reforms must be made in curriculum, in minority representation in teaching and administrative positions, and in the decision-making process. The Texas State Committee recognizes the need for school finance reform but also realizes that, if equal educational opportunities are to be afforded to all children in this State, a major reshaping must take place throughout the educational system.

RECOMMENDATIONS

The Texas State Committee recommends that:

1. Property be assessed at its full market value, as provided for in the Texas Constitution.

2. A documentary stamp tax be enacted. This tax, imposed on the transfer or sale of property, would require that the sales price of property be reported to the State at the time of the transaction. Records of sales value could then be compared with assessed value and aid the State in determining further steps that need to be taken in equalizing property assessments. Penalties for incorrect or false reporting of sales price should be provided.

3. A State tax agency be established which will:
   a. formulate guidelines for property assessments and recordkeeping,
   b. enforce compliance with these guidelines,
   c. review the operation of tax assessors' offices,
   d. conduct training for tax assessors in the legal, technical, and administrative aspects of the assessment process,
   e. maintain a check on exempted property to insure that constitutional and statutory provisions on property tax exemptions are adhered to, and
   f. examine the feasibility of implementing site value taxation.

4. The State assume the revenue raising function for public elementary and secondary education. County tax assessors should act as agents of the State in assessing and collecting property taxes. The tax rate should be uniform throughout the State and revenues from the tax should revert to the State for distribution.

5. The State enact a personal income tax. To minimize administrative difficulties, State personal income tax should be fixed at a specified percentage of Federal income tax payments.

6. The State enact a corporate profits tax.

7. There be no sales tax increase to finance additional costs of education.

8. Texas raise its level of average per pupil expenditure to that of the five top expenditure States in the country.

9. State aid should be granted on the basis of a child's educational need. Research should be conducted by the State to determine the criterion of educational need most beneficial to the student.

10. Other necessary considerations, including area cost differentials, be taken into account in State aid grants to local school districts.

11. In its February 1970 report entitled Civil Rights in Texas, the Texas State Advisory Committee recommended that salary incentives be provided for bilingual teachers, especially those at the grade school level, and for teachers who have specific training in minority culture and history. The Committee reiterates the importance of providing incentive salaries for teachers who have these qualifications.

12. School board members be elected from single member districts rather than at-large.

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